

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
INDUSTRIAL DEVELOPMENT BONDS**

Meeting Date: February 27, 2008

Request for Initial and Final Resolution for Tax Exempt Bond Approval

Prepared by: *Deanna Hamelin*

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|------------------|--|--------------------------|-------------|
| Issuer: | California Municipal Finance Authority (CMFA) | Amount Requested: | \$7,500,000 |
| Borrower: | Ventura Coastal, LLC | Application No.: | 08-0004 |
| User: | Ventura Coastal, LLC | IR & FR No.: | 08-0004 |
| Location: | Near City of Visalia (Unincorporated Tulare County) | | |

Borrower/User/Background: Ventura Coastal, LLC (the “Company”) was incorporated in California in 1940. The Company is a fruit and vegetable juice processor and produces both fresh juice and concentrate. Its products are sold to companies such as Tropicana, Sunkist, Langers, Safeway Stores, and Newman’s Own.

Project Information: The Company currently owns and operates two juice processing facilities, one in the City of Ventura and the other near the City of Visalia. The 71,800 square foot Visalia facility, located at 12310 Avenue 368 in unincorporated Tulare County, is in the process of upgrading its equipment to enable the facility to efficiently generate more naval orange juice for concentrate and as a first step in expanding the plant’s ability to produce high quality NFC (fresh or “Not For Concentrate”) juice. Bond proceeds will be used for the acquisition and installation of new juice processing equipment, including debittering equipment, de-oiling systems, and handling systems (the “Project”) at the Visalia plant.

Anticipated Timeline: The acquisition and installation of the equipment began in late July 2007 and is anticipated to be completed by May 2008.

Prior Actions/Financing: The Company has no outstanding tax-exempt financings.

Statutory Criteria: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification. Points have been awarded based on evaluation consistent with CDLAC guidelines. CDLAC does not require the evaluation of points for all statutory criteria.

PUBLIC BENEFITS: Consistent with CDLAC guidelines, the staff has awarded a total of 26 verifiable points to the Project. While none of the 26 points awarded are based upon the creation or retention jobs, the Company currently employs approximately 31 individuals in California and expects to create a total of 10 new jobs statewide within two years of completion of the Project.

RELOCATION OF COMPANY OPERATIONS (No point evaluation required): The Company will remain at its current location in the unincorporated area of Tulare County.

QUALIFICATION OF BOND ISSUANCE (No point evaluation required): Based upon the proposed finance structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

Status Of Permit/Other Required Approvals:

- The California Municipal Finance Authority approved an Inducement Resolution in an aggregate amount not to exceed \$8,000,000 for the Project on September 21, 2007.
- No additional land use or zoning approvals or permits are required to accommodate the Project
- A TEFRA hearing was held by the County of Tulare on December 18, 2007, and no comments supporting or opposing the Project were received.

Financing Details: The California Municipal Finance Authority (CMFA) will issue a tax-exempt bond on a private placement basis. GE Government Finance, Inc. (GEGF), which is a Qualified Institutional Buyer (QIB) as defined by the Securities and Exchange Commission's (SEC) Rule 144A, will purchase the bond. The bond:

- will be secured by the new juice processing equipment;
- will be used to pay off a taxable bridge loan from GEGF priced at 30 Day Libor + 200bps, which was used to facilitate progress funding for the equipment (the taxable bridge loan closed on November 22, 2007); and
- will have a fixed interest rate at the time of closing based on the seven-year U.S. interest rate swap index.

The bonds will be issued in accordance with CIDFAC's private placement policy, which has the following requirements:

- The bond purchaser must be a Sophisticated Investor as defined under SEC Rule 144A.
- The Sophisticated Investor must sign a "traveling" sophisticated investor letter, which will outline the requirements and restrictions and which will remain with the bond in the event they are sold or traded at a later date.
- The security of the private placement debt must be collateral provided by the Borrower.
- The bonds will be issued in minimum denominations of \$250,000.

Financing team:

Issuer: CMFA
Bond Counsel: Law Office of Ron Lee
Private Placement Purchaser: GE Government Finance, Inc.

Legal Questionnaire: The Staff has reviewed the Borrower's/User's responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the Borrower/User.

Recommendation: Staff recommends approval of Initial and Final Resolution Nos. 08-0004 for an amount not to exceed \$7,500,000 in tax-exempt bonds for Ventura Coastal, LLC, subject to staff analysis and approval of final bond documents, and receipt of bond counsel opinion and CDLAC allocation approval, as set forth in Initial and Final Resolution Nos. 08-0004.

VENTURA COASTAL, LLC
Bond Amount: \$7,500,000
Near City of Visalia (Unincorporated
Tulare County)
Application No. 08-0004
February 27, 2008

STAFF SUMMARY – CIDFAC

Prepared by: *Deanna Hamelin*

ISSUE:

On behalf of Ventura Coastal, LLC (the “Company”), the California Municipal Finance Authority (“CMFA” or the “Issuer”) requests approval of the Initial and Final Resolution No. 08-0004 for an amount not to exceed \$7,500,000.

CDLAC. The Company anticipates receiving allocation at the March 26, 2008 CDLAC meeting.

BORROWER/USER:

Ventura Coastal, LLC (the “Company”) was incorporated in California in 1940. The Company is a fruit and vegetable juice processor and produces both fresh juice and concentrate. Its products are sold to companies such as Tropicana, Sunkist, Langers, Safeway Stores, and Newman’s Own.

The principal stockholders of the Company are as follows:

| | |
|---------------------------|-------------|
| William Borgers..... | 70% |
| Richard Paul Torres | 20% |
| Michael Steubing | 10% |
| Total: | 100% |

Legal Questionnaire. The Staff has reviewed the Borrower’s/User’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings. None.

PROJECT INFORMATION:

The Company currently owns and operates two juice processing facilities, one in the City of Ventura and the other near the City of Visalia. The 71,800 square foot Visalia facility, located at 12310 Avenue 368 in unincorporated Tulare County, is in the process of upgrading its equipment to enable the facility to efficiently generate more naval orange juice for concentrate and as a first step in expanding the plant’s ability to produce high quality NFC (fresh or “Not For Concentrate”) juice. Bond proceeds will be used for the acquisition and installation of new juice processing equipment, including debittering equipment, de-oiling systems, and handling systems (the “Project”) at the Visalia plant.

Anticipated Timeline. The acquisition and installation of the equipment began in late July 2007 and is anticipated to be completed by May 2008.

Status Of Permit/Other Required Approvals:

- The California Municipal Finance Authority approved an Inducement Resolution in an aggregate amount not to exceed \$8,000,000 for the Project on September 21, 2007.
- No additional land use or zoning approvals or permits are required to accommodate the Project.
- A TEFRA hearing was held by the County of Tulare on December 18, 2007, and no comments supporting or opposing the Project were received.

STATUTORY CRITERIA: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification. Points have been awarded based on evaluation consistent with CDLAC guidelines. CDLAC does not require the evaluation of points for all statutory criteria.

- 1) **PUBLIC BENEFITS:** The staff assigned a total of 26 verifiable points to the Project, which are detailed below:

Community Economic Need of the Project Area (10 points):

Unemployment Rate (0 points): No points were awarded in this category because the threshold is 125% of the statewide rate or greater, and unemployment in the Project area was 106% of the statewide rate.

Poverty Rate (5 points): The poverty rate of the Project area is 22.7%, which is 214% of the statewide average of 10.6%.

Special Designation Area (0 points): The Project area is not located in a special designation area.

Median Family Income (5 points): The Project is located near the City of Visalia, census tract nine, where the average median family income is \$33,389. That is 63% of the statewide average of \$53,025.

Employment Benefits (Job Creation/Retention = 0 points): Although this Project was not awarded points for job creation or job retention, the Company represents that it currently employs 31 individuals at the Project site, and it anticipates hiring an additional 10 employees within two years of completion of the Project.

Welfare-to-Work Plan (5 points): The Company provided a letter from Mr. Adam Peck, Administrator of the Tulare County Workforce Investment Board, which verifies its participation in the Work Opportunity Tax Credit Program. (See Attachment A.)

Health Care Benefits (5 points): The Company provided documentation that it contributes to the medical insurance for 63 of its 90 employees. The contribution

translates into an average of \$632.98 per month toward the health care benefits for each employee. The 27 employees who are not participating in the Company's health plan opted out for personal reasons.

Average Hourly Wage (1 point): The Company's average hourly wage is \$17.21, while the Metropolitan Statistical Area (MSA) for Bakersfield has an average manufacturing wage of \$16.33. Therefore, the Company's average hourly wage is 105.38% of the average manufacturing wage for the City of Bakersfield.¹

Land Use/Public Transit Corridor/Energy Efficiency (5 points):

Land Use (0 points): No points were awarded in this category.

Public Transit Corridor (5 points): The Company provided verification that the Project is located within a public transit corridor. The Project site is served by the Tulare County Area Transit bus line.

Energy Efficiency (0 points): No points were awarded in this category.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will remain at its current location in unincorporated Tulare County.
- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed finance structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

FINANCING DETAILS:

The California Municipal Finance Authority (CMFA) will issue a tax-exempt bond on a private placement basis. GE Government Finance, Inc. (GEGF), which is a Qualified Institutional Buyer (QIB) as defined by the Securities and Exchange Commission's (SEC) Rule 144A, will purchase the bond. The bond:

- will be secured by the new juice processing equipment;
- will be used to pay off a taxable bridge loan from GEGF priced at 30 Day Libor + 200bps, , which was used to facilitate progress funding the equipment (the taxable bridge loan closed on November 22, 2007); and
- will have a fixed interest rate at the time of closing based on the seven-year U.S. interest rate swap index.

¹ The Project Area is located in the Visalia/Porterville MSA. However, the Employment Development Department (EDD) Labor Market Information Division does not collect and publish manufacturing wage data for the Visalia/Porterville MSA. Therefore, Staff used data from the closest and most comparable MSA, which is the Bakersfield MSA

The bonds will be issued in accordance with CIDFAC’s private placement policy, which has the following requirements:

- The bond purchaser must be a Sophisticated Investor as defined under SEC Rule 144A.
- The Sophisticated Investor must sign a “traveling” sophisticated investor letter, which will outline the requirements and restrictions and which will remain with the bond in the event they are sold or traded at a later date.
- The security of the private placement debt must be collateral provided by the Borrower.
- The bonds will be issued in minimum denominations of \$250,000.

FINANCING TEAM:

Issuer: CMFA

Bond Counsel: Law Office of Ron Lee

Private Placement Purchaser: GE Government Finance, Inc.

RECOMMENDATION:

Staff recommends approval of Initial and Final Resolution Nos. 08-0004 in an amount not to exceed \$7,500,000 of tax-exempt bonds for Ventura Coastal, LLC, which is contingent upon staff analysis and approval of final bond documents, and receipt of bond counsel opinions and CDLAC allocation approval, as set forth in the Initial and Final Resolution.

INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR #: 08-0004

WHEREAS, the California Municipal Finance Authority (the “Authority”) has transmitted the application of Ventura Coastal, LLC and/or its affiliates, (the “Applicant”) for the issuance of \$7,500,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has informed the California Industrial Development Financing Advisory Commission (the “Commission”) that it has adopted a resolution declaring its intention to issue such bonds and that the County of Tulare has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the acquisition of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$7,500,000; and

(b) use of the Project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of

substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the Bond Counsel Opinion, when ready for execution, be submitted to Commission staff;

(b) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Indenture of Trust,
- (iii) Purchase Contract,
- (iv) Bond Resolution,

- (v) Letter of Credit,
- (vi) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;
- (c) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;
- (d) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);
- (e) that the Commission receive all applicable fees prior to the issuance of the bonds or that the bond documents indicate that funds are available at closing from the proceeds of the bonds and/or funds provided by the Applicant to pay such fees; and
- (f) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.



**TULARE
COUNTY**

Workforce Investment Board, Inc.

Attachment A

Agenda Item – 4.B.2.

4025 W. Noble, Suite A / Visalia, CA 93277 • 559.713.5200

January 25, 2008

Mr. Walker
Ventura Coastal
12310 Avenue 368
Visalia, CA 93291

Dear Mr. Walker:

Subject: Welfare to Work Program

I am writing this letter to confirm that Sandi Miller, Program Coordinator, has discussed Work Opportunity Tax Credits (WOTC) with your Human Resources Director at Ventura Coastal. Your staff has indicated a willingness to hire individuals who qualify under the WOTC guidelines.

The appropriate forms have been sent to your Tulare County facility. Please feel free to contact me at (559) 713-5200 if you would like additional information.

Sincerely,

Adam Peck
Administrator

AP:LC

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cc: Sandi Miller

